

Declaration of Prior Invention in the United States to overcome Patent Publication (37 CFR 131)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Bergmann et al

Serial No.: 09/995,178

Group Art Unit: 3693

Filing Date: 11/27/2001

Examiner: Dass, Harish T.

Title: Method of Ascertaining an Efficient Frontier for Tax-Sensitive Investors

Friday, March 21, 2008

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Declaration of Prior Invention in the United States to overcome Patent Publication (37 CFR 131)

This declaration is to establish completion of the invention of this application in the United States at a date prior to February 1, 2000, that is, the effective date of the prior art patent publication US 2002/0138386 A1, that was cited by Examiner Dass in the Office Action dated 10/03/2007.

I am one of the joint inventors named in the subject patent application, and am Senior Executive Vice-President and Chief Investment Officer of AMG National Trust Bank, (which Bank, together with its predecessor, AMG Guaranty Trust, National Association, will be referred herein after as AMG.) AMG is the owner of the subject patent application.

The other named inventor, Mr. Daniel Yoo, is no longer associated with AMG, and has not participated in the prosecution of the subject patent application since leaving AMG's employ about November 30, 2001.

To establish the date of completion of the invention of the subject application, I have attached the following document submitted as evidence:

1. "New AMG Portfolio Strategist: Basic Concepts and Features"
 - a. This document constitutes a record of an internal AMG educational program, which record was kept in the ordinary course of business in AMG's files. This program introduced the details of the then current version of the AMG Portfolio Strategist ("APS").

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The date of the program (see "Program Date" on the first, unnumbered page) has been redacted. This date is before the February 1, 2000. This document was distributed to all of AMG's financial counselors and their financial analysts under confidentiality before February 1, 2000 in preparation for the introduction of computer programs that embody the invention.

- b. The document illustrates the existence of essential aspects of the invention:
- i. Pages 2-6 discuss the importance of tax rates and page 7 illustrates how that information is to be input for analysis.
 - ii. Pages 15-18 show how choice of tax time horizon can affect after-tax returns and page 19 depicts the input method. (Note: this does not imply the invention uses a complex multi-period wealth optimization method, but rather, shows how differing time horizons may be simplified yet fully accounted for in a single-period expected return and risk optimization procedure, which is the subject of the invention.)
 - iii. Pages 20-23 illustrate how various accounts with differing tax implications may be used to obtain globally optimal results in the simultaneous selection of assets and their account locations.
 - iv. Pages 24-39 illustrate the complications that result from the consideration of tax basis issues and related input procedures to handle such matters.
 - v. Pages 40-52 contain trade secrets not a part of the invention and have been removed.
 - vi. A salient part of the invention is the ability to transform pre-tax general linear constraints on portfolio components into after-tax constraints and vice versa. Pages 53-64 illustrate how this aspect of the invention may be manifest in real world issues and how information relating to such constraints may be input into one embodiment of the invention.
 - vii. Pages 65-74 contain trade secrets not a part of the invention and have been removed.

From this attached document and the above explanation, it can be seen that the invention of the subject application was made at least prior to February 1, 2000.

This Declaration is submitted after Final Rejection since Patent Publication US 2002/0138386 A1 was first applied in the Final Rejection and is being submitted with a Request for Continued Examination.

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I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of title 18 of the United States, Code, and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

By

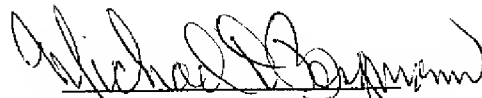
Name

Date

Country of Citizenship

Residence

Post Office Address



Michael D. Bergmann, PhD

March 22, 2008

United States of America

Bow Mar, Colorado USA

AMG National Trust Bank,

Corporate Headquarters

6501 East Belleview Avenue, Suite 400

Englewood, CO 80111

AMG Course Number: Invest#4**NEW AMG PORTFOLIO STRATEGIST:
BASIC CONCEPTS AND NEW FEATURES**

Description of Program	Covers the basic concepts and new features of the most recent version of the AMG Portfolio Strategist (AMG's asset allocation model). Presents both the tax-related issues and the non-tax related issues. Illustrations are used to demonstrate some of the key features.
Presenter/Author	Michael D. Bergmann, PhD.
Form of Delivery	AMG video tape with accompanying graphics.
Length of Program	One and two-third (1.67) hours video tape covering the new APS: <ul style="list-style-type: none"> ■ Tax-related issues (<i>46 minutes</i>) ■ Non-tax related issues (<i>54 minutes</i>)
Knowledge Level	Basic to intermediate. This is an introduction for everyone using APS.
Audience: Core Program	
Required	ACM/Financial Markets Research: Portfolio manager and analyst levels. AMGIC: Management level. Charitable Gift: Management level. Financial Counseling: Counselors and analysts.
Strongly Recommended	
Program Date	January 2000.
Review Procedure	Step #1: Duplicate the graphics handout in order to make personal notations. Step #2: Enter information in your personal KT Credit Record file.
Examinations/Cases	No examination or case work involved.
AMG Knowledge Transfer (KT) Credit Hours	Two (2) hours for review of tape.
External CE Credit Approval	Researching ability to submit for CFP and CPA continuing education credit.

NEW AMG PORTFOLIO STRATEGIST: Basic Concepts and New Features

Agenda: New AMG Portfolio Strategist

- **Tax-Related Issues**
- **Non-Tax Related Issues**
- **Methodology of Discussion**
 - **Why the issue matters**
 - **Simple mathematical example**
 - **Default entries**
 - **Illustration(s)**

TAX-RELATED ISSUES

Tax-Related Issues

- **Importance of taxes—ordinary income and capital gain**
- **Turnover affects capital gain taxation**
- **Tax holding period**
- **APS accounts created to address taxes**
- **Tax basis**
- **Contingent taxes**

Consideration of Tax-Related Issues for Investment

- **Taxes matter to most investors**
- **Taxes affect the relative value of individual assets as part of overall portfolio**
- **Ordinary income versus capital gain**

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Basic Assumption Different Type of Asset For Tax Consequences

	Investment A (BONDS)	Investment B (STOCKS)
Pre-Tax Total Return	10%	10%
Appreciation	0%	10%
Income	10%	0%

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Impact of Effective Tax Rate on After-Tax Return

	Investment A (BONDS)	Investment B (STOCKS)
Pre-Tax Total Return	10%	10%
Effective Tax-Rate	36%	20%
Initial Investment	\$1,000	\$1,000
Income	\$100	\$0
Tax on Income	(\$36)	\$0
Capital Gain	\$0	\$100
Tax on Capital Gain	\$0	(\$20)
Final Value	\$1,064	\$1,080
After-Tax Return	6.4%	8.0%

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Choice of Tax Rates

- **Default Tax Rates: Maximum rates for the Federal and 0% for the State**
- **Enter client-specific tax rates (if information is available) by overwriting the default values**

du 10/1/08

AMG Portfolio Strategist Input Sheet		
Client Name:	Joe Client	
Ordinary Income Tax Rates:		
— Federal:	39.6%	
— State:	5.0%	
Combined Ordinary Rate:	42.6%	
Capital Gains Tax Rates:		
— Federal:	20.0%	
— State:	5.0%	
Combined Capital Gains Rate:	24.0%	
Date of Analysis:	12/07/1999	
Starting Page Number:	1	
Time Horizon		
— Tax Considerations:	5 years	
— Portfolio Analysis:	5 years	
Primary Target Return:	8.0%	
Secondary Target Return:	12.0%	
Risk Measure:	3 Standard Deviation	
Employer:	AT&T	
Economic Scenarios:	1 Mid-Period Recession 2 Administration Forecast 4 Steady Growth w/Low Inflation 10 Historical Returns	
Number of Efficient Portfolios:	20	
Portfolios for Comparison:		
<u>Chart Legend</u>	<u>Portfolio Name</u>	<u>Portfolio Number</u>
Current	Current	Current
Suggested	Max Ret/Risk	19
Low Risk	Low Risk	4
High Return	High Return	20
		0
Accounts:	Personal Account	Personal
	Sen. Mgmt Incentiv	Sen. Mgmt Incentive Def. Plan
	Long-Term Savings	Long-Term Savings Plan
	IRA - Schwab	Tax Deferred
	IRA - Spousal	Tax Deferred

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Turnover as an Issue for Capital Gain

- Defined as average annual turnover for each asset class
- High turnover may result in lower after-tax return

Effect of Turnover Basic Assumption

	Investment A	Investment B
Pre-Tax Total Return	20%	20%
Appreciation	20%	20%
Income	0%	0%
Turnover Value	100%	10%

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Intermediate Results

Period 1		
	Investment A	Investment B
Initial Investment	\$1,000	\$1,000
Capital Gain	\$200	\$200
Total Value	\$1,200	\$1,200
Less Initial Basis	\$1,000	\$1,000
Imbedded Gain	\$200	\$200
x Turnover	100%	10%
Realized Gain	\$200	\$20
x Effective Tax Rate	20%	20%
= Tax	\$40	\$4
End of Period 1 Investment	\$1,160	\$1,196
End of Period 1 Basis		
Initial Basis	\$1,000	\$1,000
+ Realized Gain in Period 1	\$200	\$20
- Taxes Paid in Period 1	\$40	\$4
	\$1,160	\$1,016

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Intermediate Result

Period 2		
	Investment A	Investment B
Beg. of Period 2 Investment	\$1,160	\$1,196
Capital Gain	\$232	\$239
Total Value	\$1,392	\$1,435
Less End of Period 1 Basis	\$1,160	\$1,016
Imbedded Gain	\$232	\$419
x Turnover	100%	10%
Realized Gain	\$232	\$42
x Effective Tax Rate	20%	20%
= Tax	\$46	\$8
End of Period 2 Investment	\$1,346	\$1,427
End of Period 2 Basis		
End of Period 1 Basis	\$1,160	\$1,016
+ Realized Gain in Period 2	\$232	\$42
- Taxes Paid in Period 2	\$46	\$8
	\$1,346	\$1,050

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Final Results

Period 3 (Terminal Period)		
	Investment A	Investment B
Beg. of Period 3 Investment	\$1,346	\$1,427
Capital Gain	\$269	\$285
Total Value	\$1,615	\$1,712
Less End of Period 2 Basis	\$1,346	\$1,050
Taxable Gain	\$269	\$662
x Effective Tax Rate	20%	20%
= Tax	\$54	\$132
Net Value	\$1,561	\$1,580
After-Tax Rate of Return	16.0%	16.5%

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Choice of Turnover Estimates

- **Default values for asset class turnover are based on research done on average mutual fund turnover ratios and typical asset trading behavior of some of AMG clients**
- **Only if you are sure that a client intends to trade a certain asset more or less frequently than typical, should you modify the default value of asset class turnover appropriately.**

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Turnover

APS Input Sheet									
Asset Class Definitions									

Tax Time Horizon

- **Defined as typical asset holding period for tax planning purpose**
- **Matters in application of taxable accounts (personal accounts), not in tax deferred or tax-exempt accounts**

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Effect of Tax Time Horizon Basic Assumption

	Investment A	Investment B
Pre-Tax Total Return	20%	20%
Appreciation	15%	5%
Income	5%	15%
Turnover Value	50%	50%
Effective Tax Rate		
Capital Gain	20%	20%
Ordinary Income	36%	36%
Tax Time Horizon	20 Years	20 Years

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Results

	Investment A	Investment B
Initial Investment	\$1,000	\$1,000
After-Tax Rate of Return By Tax Time Horizon		
1 Year	15.20%	13.60%
5 Years	15.43%	13.67%
10 Years	15.49%	13.69%
15 Years	15.51%	13.70%
20 Years	15.53%	13.70%

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Choice of Tax Time Horizon

- **Default tax time horizon for all asset classes is five years (ought to coincide with investment time period)**
- **Only if you are sure that a client intends to hold on to a certain asset longer or shorter than the default five years (regardless of market conditions), should you modify the asset class tax time horizon appropriately.**

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Tax Time Horizon

APS Input Sheet									
Asset Class Definitions									
Standard:		Effective Tax Rate		Pre-tax		Standard	Tax Time	Sell at	
Asset Class Description	Code	Income	Gain	Turnover	Return	Income	Deviation	Horizon	Tax Horizon
1 Cash and Equivalents	CASHEQ	42.6%	24.0%	100%	6.79%	6.8%	2.88%	5	Yes
2 Foreign Cash	FCASH	42.6%	24.0%	100%	9.45%	9.5%	12.51%	5	Yes
3 Treasury Bonds	TRBOND	42.6%	24.0%	20%	9.69%	5.4%	12.83%	5	Yes
4 Tax-exempt Bonds	TEBOND	0.0%	24.0%	20%	7.80%	4.8%	10.33%	5	Yes
5 Corporate Bonds	COBOND	42.6%	24.0%	20%	9.98%	5.9%	13.21%	5	Yes
6 Large Cap Stocks	LRGSTK	42.6%	24.0%	65%	13.90%	1.6%	18.40%	5	Yes
7 Small Cap Stocks	SMLSTK	42.6%	24.0%	85%	15.09%	0.3%	19.88%	5	Yes
8 Foreign Stocks	FRNSTK	42.6%	24.0%	70%	14.12%	2.0%	18.69%	5	Yes
9 Venture Capital	VENCAP	42.6%	24.0%	15%	20.52%	0.0%	27.16%	5	Yes
10 Investment Real Estate (Unlv	INVREU	42.6%	24.0%	15%	8.71%	2.6%	3.69%	5	Yes
11 Investment Real Estate	INVTRE	42.6%	24.0%	15%	1.38%	0.0%	14.77%	5	Yes
12 Residential Real Estate (Unlv	RESREU	42.6%	24.0%	15%	7.89%	0.0%	3.35%	5	Yes
13 Residential Real Estate	RESRE	42.6%	24.0%	15%	-3.14%	0.0%	16.74%	5	Yes
14 Farm Real Estate	FARMRE	42.6%	24.0%	0%	8.63%	6.8%	11.42%	5	Yes
15 Energy Reserves	ENERGY	42.6%	24.0%	20%	8.05%	4.0%	10.65%	5	Yes
16 Precious Metals	PREMTL	42.6%	24.0%	55%	9.98%	0.0%	13.21%	5	Yes
End Standard Asset Class Definitions									



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APS Accounts

Why bother with APS accounts as did not have them in the past?

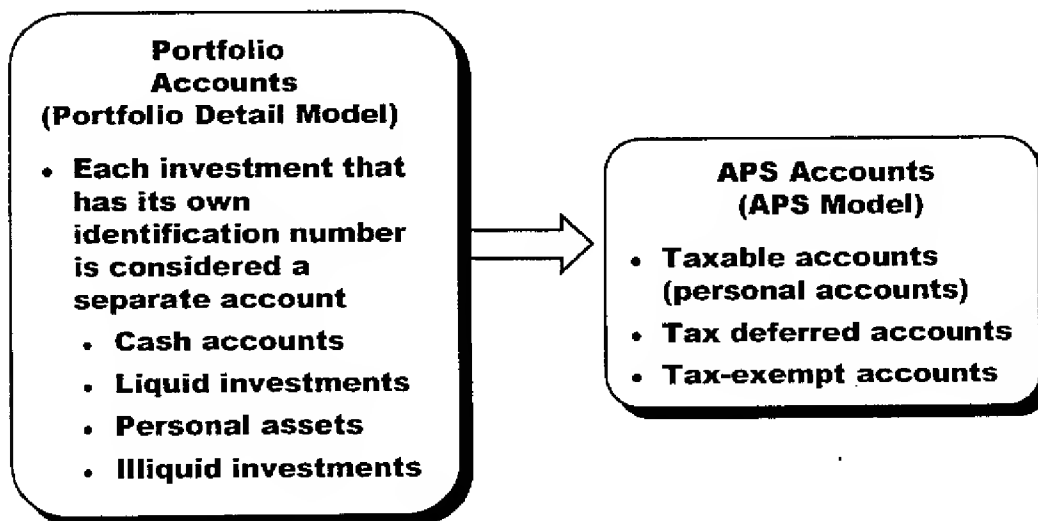
- It greatly simplifies proper tax treatment
- It greatly simplifies developing implementation time tables

APS Accounts

- **Three types of APS accounts based on different tax treatment**
 - **Personal or fully taxable account**
 - **Tax deferred account (e.g. Company 401(k) or savings plan, IRA, SEP IRA and Keogh)**
 - **Tax exempt account (e.g. Roth IRA)**
- **Optimization is done on the global portfolio (i.e., includes all accounts simultaneously)**

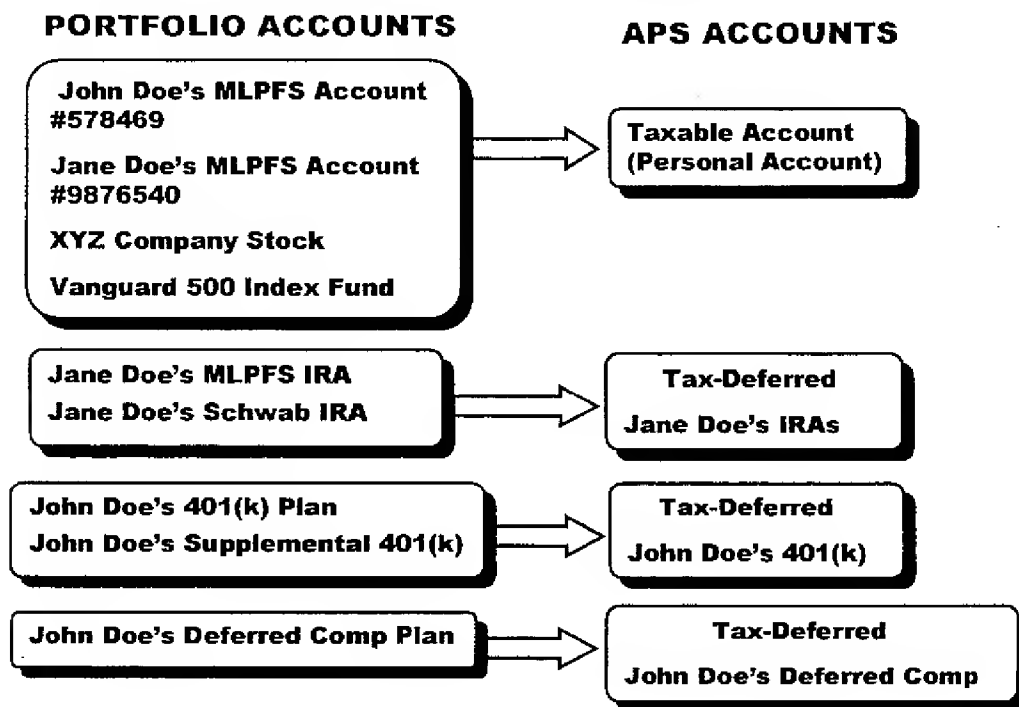
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Relationships—Portfolio Accounts & APS Accounts



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Example: Portfolio Accounts & APS Accounts



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Tax Basis of an Asset

- Defined as dollar cost of an asset for tax purpose

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Tax Basis of an Asset

- **Low basis asset must be considered if an asset has more than 50% of total portfolio value and tax basis of the same asset is less than 10% of current market value**

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Effect of Tax Basis Basic Assumption

	Investment A	Investment B
Pre-Tax Total Return	20%	20%
Appreciation	20%	20%
Income	0%	0%
Turnover Value	0%	0%
Tax Time Horizon	5 Years	5 Years
Effective Tax Rate		
Capital Gain	20%	20%
Ordinary Income	36%	36%
Market Value	\$100,000	\$100,000
Tax Basis	\$10,000	\$100,000

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Intermediate Result

Market Value	\$100,000	\$100,000
Less Contingent Tax	\$18,000	\$0
Net Realizable Value	\$82,000	\$100,000
Market Value at End of 5 Year	\$248,832	\$248,832
Less Capital Gain Taxes Paid	\$47,766	\$29,766
Net Realizable Value	\$201,066	\$219,066

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Result

	Investment A	Investment B
After-Tax Rate of Return	19.65%	16.98%

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Complications of Using Tax Basis Information

- **Default values of tax bases are current market values for assets in taxable accounts (personal accounts) and zero for assets in tax deferred or tax-exempt accounts**
- **If a client holds a low-basis asset which meets the criteria for special consideration, provide the specific tax basis for that asset**
- **Cannot buy more of the low-basis asset and cannot be combined with any other assets**
- **To consider buying the same type of asset, a separate, new asset with tax basis being equal to current market value needs to be derived**

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Basis Value

Client Asset Class Import Data			
	<u>Basis Value</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
Personal			
Cash and Equivalents		\$ 25,000	2.60%
Foreign Cash		15,000	1.56%
Treasury Bonds		40,000	4.17%
Tax-exempt Bonds		40,000	4.17%
Corporate Bonds		50,000	5.21%
Large Cap Stocks		100,000	10.42%
Small Cap Stocks	50,000	500,000	52.08%
Foreign Stocks		75,000	7.81%
Venture Capital		20,000	2.08%
Investment Real Estate (Unlvg)		0	0.00%
Investment Real Estate		25,000	2.60%
Residential Real Estate (Unlvg)		0	0.00%
Residential Real Estate		0	0.00%
Farm Real Estate		0	0.00%
Energy Reserves		0	0.00%
Precious Metals		0	0.00%
Antiques		0	0.00%
REITs		0	0.00%



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Contingent Taxes

- **Defined as embedded taxes on unrealized capital gain (as though realized the gain)**
- **Need to be considered only for low-basis assets in taxable accounts (personal accounts) and all assets in tax-deferred accounts**
- **Contingent tax rates for low-basis assets in taxable accounts (personal accounts): capital gains tax rate**
- **Contingent tax rates for all assets in tax-deferred accounts: ordinary income tax rate**

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Effect of Contingent Taxes

	Basis Dollar Amount	Market Value Dollar Amount	Gross of Tax Percentage	Contingent Tax Rate	Taxes Dollar Amount	Net of Tax Dollar Amount	Net of Tax Percentage
Personal Acct							
Cash 1	\$1,000	\$1,000	7%	0%	\$0	\$1,000	8.0%
Bond 1	\$4,000	\$5,000	33%	20%	\$200	\$4,800	38.5%
Stock 1	\$1,000	\$4,500	30%	20%	\$700	\$3,800	30.4%
Deferred Acct							
Cash 2	\$0	\$1,500	10%	36%	\$540	\$960	7.7%
Bond 2	\$0	\$1,500	10%	36%	\$540	\$960	7.7%
Stock 2	\$0	\$1,500	10%	36%	\$540	\$960	7.7%
Total		\$15,000	100%		\$2,520	\$12,480	100%



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Tax Time Horizon Revisited

- **Effect of tax basis on after-tax return gradually diminishes over longer tax time horizon**
- **Difference between low basis and high basis asset returns narrow over time**
- **Impact of time on any particular asset diminishes gradually as well**

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Effect of Tax Basis over Different Tax Time Horizon Basic Assumption

	Investment A	Investment B
Pre-Tax Total Return	20%	20%
Appreciation	15%	15%
Income	5%	5%
Turnover Value	0%	0%
Tax Time Horizon	30 Years	30 Years
Effective Tax Rate		
Capital Gain	20%	20%
Ordinary Income	36%	36%
Market Value	\$100,000	\$100,000
Tax Basis	\$10,000	\$100,000

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Results

After-Tax Rate of Return By Tax Time Horizon	Investment A	Investment B
1 Year	18.54%	15.20%
5 Years	18.64%	15.92%
10 Years	18.72%	16.57%
15 Years	18.77%	17.01%
20 Years	18.81%	17.31%
30 Years	18.85%	17.67%

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Holding an Asset APS Taxable Accounts (Personal Accounts)

- **Special Situation for Consideration:
Holding an asset until the end of tax
time horizon, which is equivalent to
the number of years until death based
on average life expectancy**
- **Result: Not paying capital gains
taxes on embedded gains on an
asset**

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Effect of Holding Asset till Death Basic Assumption

	Investment A	Investment B
Pre-Tax Total Return	20%	20%
Appreciation	15%	15%
Income	5%	5%
Turnover Value	0%	0%
Effective Tax Rate		
Capital Gain	20%	20%
Ordinary Income	36%	36%
Tax Time Horizon (No. of Years till Death, based on Life Expectancy)	30 Years	30 Years
Market Value	\$100,000	\$100,000
Tax Basis	\$10,000	\$100,000

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Results

	Investment A	Investment B
After-Tax Rate of Return Based on Decision To		
Sell Before Death	18.85%	17.67%
Hold till Death	19.37%	18.20%

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Summary—Tax Related Issues

- **Taxes matter to most investors**
- **New APS incorporates client-specific tax rates, asset turnover, variable tax time horizon, tax basis and contingent taxes, which all affect the after-tax return of an asset**
- **New APS utilizes a more accurate methodology for estimating after-tax returns of individual asset classes**
- **New APS takes contingent taxes into account for providing asset allocation solutions**

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NON-TAX RELATED ISSUES

Pages 40-52 have been removed.

Constraints

- **New APS allows up to two alternative sets of constraints in addition to base constraint set to illustrate effects of different constraints on resulting efficient frontiers**
- **Automatically draws overlapping efficient frontiers**

Constraints

- **Four types of constraints can be specified under the new APS in the following order: APS account, asset class, category or special, and intraAPS-account**

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Constraints

- **Account constraints refers to a constraint placed on an APS account as a whole (e.g., lower and upper limits for all tax deferred accounts such as company savings plans and IRAs)**

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Constraints			
Asset Class	Asset Code	Lower Limit	Upper Limit
1 Cash and Equivalents	CASHEQ	0.00%	25.00%
Foreign Cash	FCASH	0.00%	0.00%
1 Treasury Bonds	TREBOND	0.00%	29.89%
1 Tax-exempt Bonds	TEBOND	0.00%	25.00%
1 Corporate Bonds	COBOND	0.00%	33.03%
1 Large Cap Stocks	LRGSTK	0.00%	55.61%
1 Small Cap Stocks	SMLSTK	0.00%	25.00%
1 Foreign Stocks	FRNSTK	0.00%	27.39%
Venture Capital	VENCAP	0.00%	0.00%
Investment Real Estate (Unlvg)	INVREU	0.00%	0.00%
Investment Real Estate	INVTRE	0.00%	0.00%
Residential Real Estate (Unlvg)	RESREU	0.00%	0.00%
Residential Real Estate	RESRE	0.00%	0.00%
Farm Real Estate	FARMRE	0.00%	0.00%
Energy Reserves	ENERGY	0.00%	0.00%
Precious Metals	PREMTL	0.00%	0.00%
Antiques	NONST1	0.00%	0.00%
1 REITs	REITS	0.00%	5.00%
AT&T Stock	T	0.00%	100.00%
AT&T NOSOs	TNQSO	\$ 77,500	\$ 77,500
AT&T Restricted Stock	TRS	\$ 91,600	\$ 91,600
US Fixed Income Fund	USFINC	0.00%	100.00%
US Equity Fund	USEQTY	0.00%	100.00%
International Securities Fund	INTSEC	0.00%	100.00%
Fidelity Magellan Fund	FDMAGF	0.00%	0.00%
Cash & Dvd. Deferrals	SMIBND	0.00%	100.00%
GIC	DERIV	0.00%	100.00%
Account			
Personal Account		0.00%	100.00%
Long-Term Savings Plan		\$ 96,700	\$ 96,700
Sen. Mgmt Incentive Def Plan		\$ 15,000	\$ 15,000
AG Edwards IRA		\$ 252,600	\$ 252,600
Duke 403(b)		\$ 20,600	\$ 20,600
TIAA-CREF		\$ 38,800	\$ 38,800
Category			
Minimum Income(Amount or Percent)	Income	0.00%	100.00%
Required Company Stock Min. Holding	COSTOCK	\$ 90,000	\$ 90,000
End Constraint Input			



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Constraints

- **Account constraints** refers to a constraint placed on an APS account as a whole (e.g., lower and upper limits for all tax deferred accounts such as company savings plans and IRAs)
- **Asset class constraints** refer to constraints placed on individual asset class as a group (e.g., lower and upper limits for all large cap stocks)

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Constraints			
Asset Class	Asset Code	Lower Limit	Upper Limit
1 Cash and Equivalents	CASHEQ	0.00%	25.00%
Foreign Cash	FCASH	0.00%	0.00%
1 Treasury Bonds	TRBOND	0.00%	25.00%
1 Tax exempt Bonds	TEBOND	0.00%	25.00%
1 Corporate Bonds	COBOND	0.00%	33.00%
1 Large Cap Stocks	LRGSTK	0.00%	55.61%
1 Small Cap Stocks	SMLSTK	0.00%	25.00%
1 Foreign Stocks	FRNSTK	0.00%	27.39%
Venture Capital	VENCAP	0.00%	0.00%
Investment Real Estate (Unlvg)	INVREU	0.00%	0.00%
Investment Real Estate	INVTRE	0.00%	0.00%
Residential Real Estate (Unlvg)	RESREU	0.00%	0.00%
Residential Real Estate	RESRE	0.00%	0.00%
Farm Real Estate	FARMRE	0.00%	0.00%
Energy Reserves	ENERGY	0.00%	0.00%
Precious Metals	PREMTL	0.00%	0.00%
Antiques	NONST1	0.00%	0.00%
1 REITs	REITS	0.00%	5.00%
AT&T Stock	T	0.00%	100.00%
AT&T NOSOs	TNCSQ	\$ 77,500	\$ 77,500
AT&T Restricted Stock	TRS	\$ 91,600	\$ 91,600
US Fixed Income Fund	USFINC	0.00%	100.00%
US Equity Fund	USEQTY	0.00%	100.00%
Internatl Securities Fund	INTSEC	0.00%	100.00%
Fidelity Magellan Fund	FDMAGF	0.00%	0.00%
Cash & Dvd. Deferrals	SMIBNO	0.00%	100.00%
GIC	DERIVI	0.00%	100.00%
Account			
Personal Account		0.00%	100.00%
Long-Term Savings Plan		\$ 96,700	\$ 96,700
Sen. Mgmt Incentive Def. Plan		\$ 15,000	\$ 15,000
AG Edwards IRA		\$ 252,600	\$ 252,600
Duke 403(b)		\$ 20,600	\$ 20,600
TIAA-CREF		\$ 38,800	\$ 38,800
Category			
Minimum Income(Amount or Percent)	Income	0.00%	100.00%
Required Company Stock Min. Holding	COSTOCK	\$ 90,000	\$ 90,000
End Constraint Input			



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Constraints

- **Account constraints** refers to a constraint placed on an APS account as a whole (e.g., lower and upper limits for all tax deferred accounts such as company savings plans and IRAs)
- **Asset class constraints** refer to constraints placed on individual asset class as a group (e.g., lower and upper limits for all large cap stocks)
- **Category or special constraints** refer to constraints placed on individual assets in one or more APS accounts for meeting certain investment requirements (e.g., lower and upper limits for all fixed-income assets)

Amounts				Special	Special	Special	Special	Lower	Upper
Personal Account	Asset Code	Yrs Basis	Market Value	Code 1	Category	Code 2	Category	Limit	Limit
Cash and Equivalents	CASH EQ	423,300	423,300			100%	Income	0%	100%
Foreign Cash	FCASH	0	0					0%	100%
Treasury Bonds	TRBOND	10,000	25,000			100%	Income	0%	\$ 25,000
Tax exempt Bonds	TEBOND	20,000	40,000			100%	Income	0%	\$ 40,000
Corporate Bonds	CORBOND	15,000	50,000			100%	Income	0%	\$ 50,000
Large Cap Stocks	LRGSTK	0	0			100%	Income	0%	100%
Small Cap Stocks	SMLSTK	0	0			100%	Income	0%	100%
Foreign Stocks	FRNSTK	0	0			100%	Income	0%	100%
Venture Capital	VENTCAP	0	0					0%	100%
Investment Real Estate (Unlg)	INVREI	0	0			100%	Income	0%	100%
Investment Real Estate	INVIRE	0	0					0%	100%
Residential Real Estate (Unlg)	RESREU	0	0					0%	100%
Residential Real Estate	RESRE	0	0					0%	100%
Farm Real Estate	FARMRE	0	0					0%	100%
Energy Reserves	ENERGY	0	0					0%	100%
Precious Metals	PREMTL	0	0					0%	100%
Antiques	NOUST1	0	0					0%	100%
REITs	REITS	0	0					0%	100%
GIC	DERIV1	0	0					0%	100%
AT&T Restricted Stock	ITRS	0	\$1,600					0%	100%
AT&T HQSOs	TNQSO	0	77,500					0%	100%
AT&T Stock	T	10,000	50,000	100%	COSTOCK			0%	\$ 50,000
Long-Term Savings Plan									
Fidelity Magellan Fund	FDMAGF	0	0					0%	100%
International Securities Fund	INISCF	0	0					0%	100%
US Equity Fund	USEQTY	0	56,700					0%	100%
US Fixed Income Fund	USFINC	0	15,000					0%	100%
Fidelity Equity Income Fund	FIRGSIK	0	0					0%	100%
Fidelity Retirement MMF	CASH EQ	0	0					0%	100%
AT&T Stock	T	0	25,000	100%	COSTOCK			0%	100%
Sen. Mgmt Incentive Def. Plan									
AT&T Stock	T	0	15,000	100%	COSTOCK			0%	100%
Cash & Div. Deferrals	SWBND	0	0					0%	100%
AG Edwards IRA									
Cash and Equivalents	CASH EQ	0	2,500					0%	100%
Treasury Bonds	TRBOND	0	2,000					0%	100%
Corporate Bonds	CORBOND	0	3,000					0%	100%
Large Cap Stocks	LRGSTK	0	180,500					0%	100%
Small Cap Stocks	SMLSTK	0	35,300					0%	100%
Foreign Stocks	FRNSTK	0	28,700					0%	100%
Duke 403(b)									
Cash and Equivalents	CASH EQ	0	17,100					0%	100%
Treasury Bonds	TRBOND	0	1,500					0%	100%
Corporate Bonds	CORBOND	0	2,000					0%	100%
Large Cap Stocks	LRGSTK	0	0					0%	100%
Small Cap Stocks	SMLSTK	0	0					0%	100%
Foreign Stocks	FRNSTK	0	0					0%	100%
TIAA-CREF									
Large Cap Stocks	LRGSTK	0	0					0%	100%
REITs	REITS	0	0					0%	100%
GIC	DERIV1	0	38,800					0%	100%
End Asset Amount Input									

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Constraints

- **Account constraints** refers to a constraint placed on an APS account as a whole (e.g., lower and upper limits for all tax deferred accounts such as company savings plans and IRAs)
- **Asset class constraints** refer to constraints placed on individual asset class as a group (e.g., lower and upper limits for all large cap stocks)
- **Category or special constraints** refer to constraints placed on individual assets in one or more APS accounts for meeting certain investment requirements (e.g., lower and upper limits for all fixed-income assets)
- **IntraAPS-account constraint** refers to constraints placed on individual asset within an account (e.g., lower and upper limits for non-qualified company stock option, which is also an APS account with a single investment option)

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Amounts									
Personal Account	Asset Code	Tax Basis	Market Value	Special Code 1	Special Category	Special Code 2	Special Category	Lower Limit	Upper Limit
Cash and Equivalents	CASHEQ	423,300	423,300			100%	Income	0%	100%
Foreign Cash	FCASH	0	0					0%	100%
Treasury Bonds	TRBOND	10,000	25,000			100%	Income	0%	\$ 25,000
Tax exempt Bonds	TEBOND	20,000	40,000			100%	Income	0%	\$ 40,000
Corporate Bonds	CORBOND	15,000	50,000			100%	Income	0%	\$ 50,000
Large Cap Stocks	LRGSTK	0	0			100%	Income	0%	100%
Small Cap Stocks	SMLSTK	0	0			100%	Income	0%	100%
Foreign Stocks	FRNSTK	0	0			100%	Income	0%	100%
Venture Capital	VENCAP	0	0					0%	100%
Investment Real Estate (Univg)	INVREU	0	0			100%	Income	0%	100%
Investment Real Estate	INVIRE	0	0					0%	100%
Residential Real Estate (Univg)	RESREU	0	0					0%	100%
Residential Real Estate	RESIRE	0	0					0%	100%
Farm Real Estate	FARMRE	0	0					0%	100%
Energy Reserves	ENERGY	0	0					0%	100%
Precious Metals	PREMIL	0	0					0%	100%
Antiques	NONST1	0	0					0%	100%
REITs	REITS	0	0					0%	100%
GIC	DERIVI	0	0					0%	100%
AT&T Restricted Stock	TRS	0	\$1,600					0%	100%
AT&T AQSOs	TNQSO	0	77,500					0%	100%
AT&T Stock	T	10,000	50,000	100%	COSTOCK			0%	\$ 50,000
Long-Term Savings Plan									
Fidelity Magellan Fund	FDMAGF	0	0					0%	100%
Fidelity Securities Fund	INTSEC	0	0					0%	100%
US Equity Fund	USEQTY	0	56,700					0%	100%
US Fixed Income Fund	USFINC	0	15,000					0%	100%
Fidelity Equity Income Fund	LRGSTK	0	0					0%	100%
Fidelity Retirement MMF	CASHEQ	0	0					0%	100%
AT&T Stock	T	0	25,000	100%	COSTOCK			0%	100%
Sen. Mgmt Incentive Def. Plan									
AT&T Stock	T	0	15,000	100%	COSTOCK			0%	100%
Cash & Div. Options	SMBOND	0	0					0%	100%
AG Edwards IRA									
Cash and Equivalents	CASHEQ	0	2,500					0%	100%
Treasury Bonds	TRBOND	0	2,000					0%	100%
Corporate Bonds	CORBOND	0	3,000					0%	100%
Large Cap Stocks	LRGSTK	0	180,500					0%	100%
Small Cap Stocks	SMLSTK	0	35,900					0%	100%
Foreign Stocks	FRNSTK	0	28,700					0%	100%
Duke 403(b)									
Cash and Equivalents	CASHEQ	0	17,100					0%	100%
Treasury Bonds	TRBOND	0	1,500					0%	100%
Corporate Bonds	CORBOND	0	2,000					0%	100%
Large Cap Stocks	LRGSTK	0	0					0%	100%
Small Cap Stocks	SMLSTK	0	0					0%	100%
Foreign Stocks	FRNSTK	0	0					0%	100%
TIAA-CREF									
Large Cap Stocks	LRGSTK	0	0					0%	100%
REITs	REITS	0	0					0%	100%
GIC	DERIVI	0	38,800					0%	100%
End Asset Amount Input									



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Setting Constraints

- Default asset class lower and upper limits are provided for all standard AMG asset class constraints
- All constraints using specific dollar amounts refer to pre-tax constraints (e.g., lower and upper limits on IRAs, company stock required to meet ownership guidelines, or company savings plan balances)
- All constraints using percentage values refer to after-tax constraints (e.g., lower and upper limits for most of standard asset classes)
- For category or special constraints; manual entries for special codes (percentage values) and special categories (string codes) must be provided
 - Complete flexibility in creating a special constraint
 - If want "Income" as a constraint, must use key word Income; otherwise may use any word
- Default upper limits for all low-basis assets are their current market values

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Amounts										
Personal Account	Asset Code	Tax Basis	Market Value	Special Code 1	Special Category	Special Code 2	Special Category	Lower Limit	Upper Limit	
Cash and Equivalents	CASHEQ	10,000	10,000			100%	Income	0%	100%	
Foreign Cash	FCASH	5,000	5,000					0%	100%	
Treasury Bonds	TRBOND	20,000	20,000	100%	Fixed	100%	Income	0%	100%	
Tax-exempt Bonds	TEBOND	35,000	35,000	100%	Fixed	100%	Income	0%	100%	
Corporate Bonds	COBOND	25,000	25,000	100%	Fixed	100%	Income	0%	100%	
Large Cap Stocks	LRGSTK	40,000	40,000			100%	Income	0%	100%	
Small Cap Stocks	SMLSTK	20,000	20,000			100%	Income	0%	100%	
Foreign Stocks	FRNSTK	15,000	15,000			100%	Income	0%	100%	
Venture Capital	VENCAP	10,000	10,000					0%	100%	
Investment Real Estate (Unlvg)	INVREU	0	0			100%	Income	0%	100%	
Investment Real Estate	INVTRE	10,000	10,000					0%	100%	
Residential Real Estate (Unlvg)	RESREU	0	0					0%	100%	
Residential Real Estate	RESRE	0	0					0%	100%	
Farm Real Estate	FARMRE	0	0					0%	100%	
Energy Reserves	ENERGY	0	0					0%	100%	
Precious Metals	PREMTL	0	0					0%	100%	
Antiques	NONST1	0	0					0%	100%	
REITS	REITS	0	0					0%	100%	
AT&T Stock	T	100,000	100,000					\$ 100,000	\$ 100,000	
AT&T NGSOs	TNGSO	0	500,000					0%	100%	
AT&T Restricted Stock	TRS	0	0					0%	100%	

Category			
Minimum Income(Amount or Percent)	Income	0.00%	100.00%
Maximum Fixed Income	Fixed	0.00%	40.00%
End Constraint Input			

Pages 65-74 have been removed.